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WHAT IT IS
AND
WHAT IT ISN'T

By ALEX
BITTELMAN

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ALEX BITTELMAN

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THE TOWNSEND PLAN

What It Is and What It Isn't

Indignation and Alarm in the Camp of the Rich

THERE is great indignation and alarm in the camp of the rich. The cause? The growing demand of the masses for social security.

For months and months the Townsend movement couldn't break into the capitalist press. There was a regular conspiracy of silence. Then something happened; and a powerful barrage of attack and ridicule was let loose upon the Townsend Plan from the columns of nearly every capitalist sheet in the country. What they couldn't kill by silence, they are now trying to destroy by ridicule. But they will not succeed.

The people of this country are now aroused as never before on the vital question of social security—security for the old and security for the young. From all sides the demand is coming for old age pensions, for unemployment insurance, for maternity and disability insurance. Around these demands have grown up great mass movements, and various Bills, giving expression to these demands, have been brought before Congress. We refer especially to the Lundeen Bill (H. R. 2827) and the McGroarty Bill (H. R. 7415) in the House of Representatives, and to the Frazier Bill before the Senate. The Lundeen and Frazier Bills are built upon the same principles and provide for all forms of social insurance and security. The McGroarty Bill is built upon somewhat different principles and provides only for old age pensions. But all of these bills seek security for the people. They seek to make the government assume responsibility for providing the means of livelihood to those who,

due to no fault of their own, are unable to earn a livelihood themselves.

No wonder the plunderers of the toiling people are in such a state of agitation. No wonder the spokesmen of the monopolies—the Liberty League, Hearst & Co.—are foaming at their mouth when they speak of the demand of the masses for social security, when they mention the Townsend Plan and other plans. According to these worthies, social security is the inalienable privilege of the rich and powerful, and is not meant for the toiling and producing masses of city and farm. But the masses are beginning to think and act differently. Hence the great “moral” indignation in the camp of the exploiters.

What they couldn't kill by silence, they are now trying to kill by ridicule. This refers especially to the Townsend Plan for Old Age Pensions. The spokesman of the rich, their scribblers and speakers, have seized upon some of the weak spots in the plan (and it has such weak spots) in order to destroy its main idea, the idea of old age pensions. But we must not let them succeed. The idea is too big and too vital. And as to the weak spots, these can be strengthened, strengthened by the people themselves.

The Objections of Reactionaries to the Townsend Plan

It will cost too much money, say the reactionaries. The scheme, they say, of paying 200 dollars a month in old age pensions, as called for by the Townsend Plan (about twenty billion dollars a year) would total to more than five times the income of the Federal government in 1935 and would be about equal to 40 per cent of the entire income of the American people in 1934. Suppose it will, say the people, what of it? Isn't this country rich enough to stand it? Isn't the aim—a secure life for over eight million people over 60 years of age—worth it?

Besides, who said that the income of the American people must remain what it was in 1934, about fifty billions? Who said that it can't be doubled and trebled? This land has magnificent capacities for production of wealth as well as limitless natural riches. These capacities and resources are not being used. To take only one example—the steel industry. According to the year-end review of

The Iron Age, "in terms of total ingot capacity, steel ingot production in 1935 was only 48 per cent". That is, 52 *per cent*, more than one-half, of steel ingot capacity remained idle in 1935. Why should it be idle? Doesn't the country need steel? Hasn't it the necessary trained labor power? Of course, it needs the steel and has the labor power. Why, then, don't they produce more and thus increase the income of the American people? The answer is: Morgan and du Pont, the dictators of the steel industry, don't want to produce more; and the reason they don't is that it wouldn't give them a sufficiently high rate of profit to do so.

What happens, then, is this: first, the monopolies sabotage production and thus decrease catastrophically the income of the toiling masses; second, they brazenly use the decreased income as an excuse for sabotaging the demand of the people for unemployment insurance and old age pensions. In other words, they rob and plunder the people both ways, coming and going.

The reactionaries are raving that \$20,000,000,000 a year for old age pensions is too much money—it will ruin the country. Nonsense, we say. And we remind them that they did not at all stop to think of the cost when they dragged this country into the World War in 1917. Cost in human lives and cost in money. We will not speak here of the cost in human lives; how can one measure *that* in terms of money? But we will speak of the money cost of that war. And here are the facts as compiled by the Labor Research Association in its Economic Notes of January 1936:

"\$1,000,000 an hour was average expenditure of United States government during its participation in the war.

"\$51,000,000,000 was net cost of World War to United States government alone up to 1931—five years ago—according to Andrew W. Mellon, then Secretary of the Treasury. (The figure \$40,000,000,000 is given by Prof. Paul V. Horn in his *International Trade*. But this assumes that all war debts owing to the United States will be paid. This is, of course, out of the question, so that ultimately the World War costs to the United States, it is estimated, may be almost doubled, or nearly \$80,000,000,000.)"

Eighty billion dollars for a war lasting about a year and a half, counting from the time that the United States entered the war.

That means a money cost (ultimately) of over fifty billion dollars a year. That was not too much money to spend (not to mention the human lives and suffering) for making safe the Morgan investments in Europe. But \$20,000,000,000 is outrageously too much to make safe the old age of eight million American toilers. That is the justice of Morgan, du Pont, Hearst & Co.

Another objection of the reactionaries is that the Townsend Plan will not create more jobs. The Townsend movement claims that the realization of their Old Age Pension Plan will create new jobs. And in this way:

"The forced retirement of these annuitants who receive these monthly annuities will open over four million jobs to the young and middle aged. In addition to this, government statistics tell us that the spending of \$200 a month will create one job for somebody. Thus we have eight million more jobs. Additional capital that will be put to work from out of musty bank vaults and treasuries, in anticipation of a large volume of steady business, will create additional millions of jobs. Here we have the entire unemployment question solved." (James T. Walter, *National Townsend Weekly*, October 21, 1935.)

We shall show later that such extravagant expectations are not justified. Whatever increase in production and employment may result from the realization of old age pensions, these will—by themselves—most certainly not solve the unemployment question. We hope to be able to show that other measures, much more far-reaching than the Townsend Plan, will have to be carried out by the American people in order to "have the entire unemployment question solved". But for the minute we are still concerned with the objections of the reactionaries. And what are they?

"The plan would not create new jobs, but at best merely substitute one jobholder for another—a young one for an older one." (Henry Hazlitt, *New York Times*, December 22, 1935.)

The correct answer is: that will depend. If Morgan, du Pont, Ford and the other magnates and dictators of industry and finance will continue to have *their* way; that is, if they will be allowed to continue to sabotage production until they can get a rate of profit that will satisfy them, then Mr. Hazlitt will "prove" right. But if the

people have *their* way, and compel the financial oligarchy of this country to *run industry to capacity or get out*, then the tale will be a different one. True, that would mean going *beyond* the present Townsend Plan; and we shall show how that can be done. And such steps will follow from the Plan itself. In other words, if the realization of the old age pension plan does not create many new jobs, it will be because of the sabotage of the very people for whom Hazlitt and the *New York Times* are speaking. This will not invalidate the idea of old age pensions; it will merely call for additional measures, not provided for in the Townsend Plan, in order to make the essential aim of the plan a success.

But Mr. Hazlitt has still another argument on the question of jobs. He says:

"In a time of prosperity it would mean an actual reduction of 4,000,000 in the number of those working." (*Ibid.*)

By saying so, Mr. Hazlitt has let the cat out of the bag. He exposed one of the main concerns of his masters. Namely, the fear of the capitalists that unemployment may disappear. It may seem at first glance that the capitalists are very anxious to do away with unemployment. Are they not hollering about it and blaming everybody but themselves for it? And they are doing it because they are afraid of large-scale unemployment such as we have today—about 15,000,000 people. They fear that these people will force through unemployment insurance, old age pensions and similar measures to take care of the victims of the capitalist crisis. They would like to see unemployment decreased, if that could be done, without hurting profits. That is one thing. But to do away with unemployment *altogether* would mean to deny the capitalist system a permanent reserve of unemployed without which Morgan's and du Pont's system cannot live. Capitalism must have a permanent army of unemployed as a means of keeping the wages of the employed at sufficiently low levels. Take away this army of unemployed, and you have taken away one of the most potent means in the hands of the monopolies to depress wages and keep them depressed.

Even today, with 15,000,000 unemployed in search of jobs,

the monopolies are desperately trying to destroy the Roosevelt public works program. Miserable as is the wage of the relief workers, and totally inadequate as the whole scheme is, yet the reactionaries would want to see even *Roosevelt's* scheme for public works abolished. And why? One of their arguments is: it weans away the unemployed from private jobs. What they really mean is that it interferes somewhat with their liberty to dictate without any restraints the wages of the workers, slight as they might be. Now, imagine what they would say and do if there were only 4,000,000 unemployed and old age pensions would threaten to withdraw an equal number of older people from production. Why, they would be ready for bloodshed—the blood of the people. They are pretty nearly getting ready for it, anyway. They *must* have unemployment, otherwise their cursed system cannot live. Mr Hazlitt's worry that the Townsend plan will bring about "an actual reduction of four million in the number of those working" in time of prosperity—this worry merely reflects the worry of the capitalist class that unemployment may perhaps disappear altogether.

But these are not all of the objections of the reactionaries to the Townsend Plan. Hazlitt has a whole collection of them. And one of them is that it will bring about an inequitable redistribution of income. And in this way:

"On the basis of a national income of \$50,000,000,000 in 1934, the payment of \$20,000,000,000 to eight million persons would mean that less than seven per cent of the population of the country would receive 40 per cent of its income." (*Ibid.*)

The reactionaries and monopolies, you see, are greatly concerned that the national income should be equitably distributed. Therefore, their sense of equity is greatly outraged by the idea that "seven per cent of the population" should be getting "40 per cent of the income". Well, before we discuss the equity of the proposition, we must clear up the figures and percentages. Mr. Hazlitt, we are sorry to say, has played here a little trick with the percentages. The trick consists in this: Hazlitt calculates that percentage of the old age people that would be entitled to pension, not on the basis of the *gainfully employed* population, as is usually done in computing the

distribution of the income, but on the basis of *total* population. That's how he gets the seven per cent. But that is obvious nonsense. To get a correct idea of what proportion of the national income the old age pensioners would be getting under the Townsend plan, one must calculate the percentage of the eight million old people on the basis of the population gainfully employed. That is, for 1929, eight million out of about forty-four million that were gainfully employed, which makes over 18 per cent, instead of the tricky seven per cent. And if you do that, it does not look any longer so badly inequitable as the reactionaries are trying to make it out.

But that is not all. The Townsend people claim, and correctly so, that old age pensions will take off a terrific burden from the shoulders of the young who are now supporting (or trying to support) their old folks. That means that the income of the young toiling people will, in fact, be increased. Today the real income of a young wage earner who gets \$20 a week is really not \$20, but somewhere near \$15, if he must support an old father; and it is still less if he must also support an old mother. But if you take these old people off his shoulders he will actually be having more income to meet his own needs.

Another thing the Townsend people claim for their plan, and rightly, is that it will save large sums of money that are now being dispensed to the old in the disgraceful form of charity and pauper relief—sums of money that eventually come out of the pockets of the toilers.

Thus, if you discount from the twenty billions the savings of the young who will no longer be compelled to support their old and the savings from pauper relief and charity, the twenty billions for old age pensions will look still less inequitable when compared with the total national income.

Ultimately, of course, the question has to be settled from an entirely different basis—from the basis of from *whose* income these billions will come out. Is it to be the income of the toiling population or of the monopolies and the rich? We shall show presently that, if the Townsend "transaction tax" is adhered to, the billions will come out of the income of the toilers and of the poor; but that if the pensions are financed along the lines of the Lundeen and Frazier

Bills, the billions will come from the income of the rich and the monopolies. But this is an argument (a very serious one) between those who are *for* old age pensions. To this we shall come shortly. Here we are dealing with the case of the reactionaries *against* old age pensions. And to them we say:

You are outraged, or you pretend to be, by the inequitable redistribution of income which, you claim, the Townsend plan will bring about. This we brand as sheer hypocrisy and slander. We have already tried to show your dishonest tricks and slanders. We will now show your hypocrisy. You cry against a redistribution of income. But how is income distributed today? How was it distributed in 1929 at the peak of "prosperity"? Only 65 per cent went to wages and salaries, while 20 per cent went to property income and 15 per cent to those who combine in one person management and labor. These figures are derived from a very unsafe method of computing the *real* share of the toilers as compared with that of the exploiters. Why? Because among wages and salaries are listed the income of the wage earner who makes \$10 a week and the income of the big capitalist paid in the form of salary which runs up to more than \$100,000 a year. Yet for the purpose of rough calculation we shall take these percentages. And what do they show? They show that 80 per cent of those gainfully engaged in 1929 (roughly, 35 million out of 44), whose income was in the form of wages and salaries, received only 65 per cent of the total national income. Is that equitable?

Furthermore, since 1929 (1929-1932) the share of labor and of the small owner decreased in favor of property's share. Also, during the same period, salaries declined 41 per cent, while total wages declined by as much as 60 per cent. But what happened, for example, to incomes from interest payments? These fell "by only slightly more than 3 per cent".*

Is this equitable? Is this just? Yes, it is capitalist justice, the justice and equity of Morgan, du Pont, Ford, and Rockefeller. But it is not people's justice and equity. The people want a redistribu-

* These and the previous figures are taken from the studies of the International Labor Office (*Social and Economic Reconstruction in the United States*).

tion of income in favor of the toilers and in disfavor of the monopolies. What is wrong with that? All we should look out for is such a way as will actually achieve the aim.

The rich have a clever fellow at their service. His name is Walter Lippman. And he supplies them with all kinds of clever arguments against the toilers. For example, the same Lippman has this to say about the Townsend people. The Townsends, he says, have the notion that if people worked less and spent more, they would be richer. That is supposed to be very clever and smart. Is it, though? The fact of the matter is that it is not the Townsend people who have such notions, but the rich and the exploiters. These exploiters of the people not only have such *notions*, but they actually practise them; they have established a capitalist system that works that way: namely, the richer you are, the less you work and the more you spend—for yourself.

The fear of the growing movement for old age pensions and unemployment insurance is making some of the reactionaries turn favorably to Roosevelt's so-called security law. No wonder. That security law offers plenty of security to the rich and mighty little to those who most need it. The same Hazlitt has this to say:

"The final paradox of the Townsend plan is that the sponsors for it have become most insistent just after comprehensive old age pension legislation has been enacted for the first time in our history."
(*Ibid.*)

Comprehensive legislation—this is supposed to describe Roosevelt's fraudulent security law! Can hypocrisy go further? Aside from the fact that in actuality things went just the other way around, namely, as the movement among the masses for genuine old age pensions and unemployment insurance picked up strength, Roosevelt hoped to forestall the victory of the movement by hustling through a caricature of old age pensions and unemployment insurance. These are the facts. But aside from this, how can anyone call Roosevelt's law "comprehensive legislation"? It is adding injury to insult. For here is how even the *New York Times*, the same Wall Street paper in which Hazlitt is making these arguments, is compelled to describe the *factual* side of Roosevelt's old age pension scheme.

The Roosevelt law "authorizes an appropriation of \$49,750,000 for the current fiscal year, and so much as may be needed thereafter, to enable each state to furnish financial assistance '*as far as practicable under the conditions in such state*' (quoting from the law), to aged needy persons, *more than 65 years old*. Federal grants are authorized on a fifty-fifty matching basis with the states, except that the federal government's share *in no case would exceed \$15 a month*". This is one part of the law, the one that is supposed to provide for immediate old age pensions. But it does nothing of the sort. It shifts the whole thing back to the states and the law leaves it entirely to the states to decide what, if anything, they want to do about old age pensions. And if they decide to do something, then the federal government will match them dollar for dollar, but never more than \$15 a month. Which means that even in the case of the most liberal and progressive state legislation, the monthly payment will not be more than \$30 a month—unless the states would want to go above the maximum sum which the federal government will match on a fifty-fifty basis, which, of course, most of them will not do. The most important thing to see is that this provision of the law shifts the whole affair to the states; if these do nothing about it, neither will the federal government.

Then there is another part of the law. This "provides for a long-range contributory old age pension system, to be financed by an income tax *on employes* and a payroll tax on employers. . . . Under the operation of the system, each qualified worker who retires at the age of 65, but not prior to Jan. 1, 1942, would receive a monthly pension, until his death, ranging from \$10 to \$85, *depending upon the total amount of wages earned by the beneficiary after Dec. 31, 1936*, and before he reaches retirable age".

Look at it closely. The scheme does not operate *for the next six years*. No help for the old people of today, and of the next six years, until most of them will have died. That is Roosevelt's humor.

Look also at the next "joker". Pensions will be paid, says the law, "depending upon the total amount of wages earned by the beneficiary". And suppose he earns nothing—or next to nothing—because he cannot find a job as 15,000,000 people cannot find one today,

what happens to his old age pension? Why, nothing happens to it; *there simply is no pension.* That is Roosevelt's humor again.

And after all that, the paid defenders of Roosevelt's fraudulent scheme have the audacity to characterize the Townsend plan as a "scheme of complete absurdity, cruelly mischievous, crassly unworkable and filled with possibilities of wreckage". This is the utterance of no less a person than Dr. Stuart A. Rice, acting chairman of the Central Statistical Board, United States Bureau of Census. He grows very indignant, this doctor does, when speaking of the Townsend Plan. And he thunders: "What old age pensions do we mean? The Townsend old age bonanzas, or the carefully devised schedules of benefits and annuities permitted under the Social Security Act? And what kind of costs are we talking about? Fiscal only? Or in addition the human costs of a scheme so cruelly mischievous, so crassly unworkable, so filled with the possibilities of wreckage as the good Dr. Townsend and his assisting high-pressure promoters are seeking to foist in this country?" (*New York Times*, Dec. 29, 1935.)

There is only one true word in all this diatribe. There is no doubt that the Roosevelt schedules have been very "carefully devised". So carefully, indeed, that no old age pensions have come out as a result.

Coughlin Steps In

Says *The New York Herald Tribune* of December 22, 1935:

"Father Coughlin devoted a large part of his Sunday broadcast to answering 'briefly and honestly' many letters he said he had received asking his attitude toward this Townsend plan."

Brief it was; as to its honesty, we shall see.

Coughlin does not think the plan will work. Why?

"The Townsend plan to pay monthly pensions of \$200 to each person more than sixty years old 'is not workable nor can it be workable until the 120,000,000 American people rescue from the hands of a few thousand plutocrats the right to coin and regulate the value of our sovereign money'." (*Ibid.*)

Further:

"He said it would be 'impossible for the government to secure the \$1,600,000,000 a month required to distribute \$200 to each of the aged citizens in the nation'." (*Ibid.*)

The conclusion?

"The priest proposed that 'we put first things first' . . . 'the private control of credit must be abandoned. This means that the privately controlled politicians who support the barons of wealth who own the Federal Reserve banks must be driven from the halls of Congress'." (*Ibid.*)

The net result of all this clever talk about "first things first" is that *Coughlin is against the Townsend plan*. Coughlin, you see, wants the people to give up the fight for old age pensions and to accept his own panacea which is expressed in points 6 and 7 of the program of his National Union for Social Justice. These two points call for the abolition of the "privately owned Federal Reserve Banking system" and the establishment of "a government-owned Central Bank", and for the restoration to Congress of the right "to coin and regulate the value of money".

It is a fact that the Federal Reserve system is controlled by the monopolies which use their power to rob and plunder the people. Coughlin is careful not to speak of the monopolies. Instead he talks vaguely of "a few thousand plutocrats". All very well so long as we know who these are: the monopolies, Wall Street, big business. This financial oligarchy controls the credit and currency of the country *because it controls the most vitals means of production*. If Coughlin really meant to tackle "first things first", he would say: take away from the financial oligarchy the control of such industries as steel and power, take away from them the railroads, take away from them all concentrated and basic industries and put them into the hands of a Farmer-Labor government. This would cut the very ground from under the feet of the monopolies and plutocrats. And with this as the main program, the nationalization of credit and banking would mean something to the people.

It is not so much a question of the *order* in which such nationalization is carried out. It is quite possible to begin by nationalizing the banking system and with this as a wedge proceed to the nationalization of the basic industries. *Provided*, there is a rounded out

plan to use the nationalization of banking and credit for the central purpose of breaking the domination of the monopolies *in all spheres of national economy*; and provided *further*, this job is entrusted to a Farmer-Labor government which can be depended on to fight the monopolies and stand up for the interests of the people.

But Coughlin does not talk of these things. This is not what *he* means. What does he mean? His attitude to the fight for old age pensions is one example of what he really means. He uses the panacea of nationalizing banking and credit *in order to keep the toilers back from fighting for the real things*. Here we see millions of people throughout the country rallying to various movements that fight for old age pensions and unemployment insurance. These are *real things*, things of immediate benefit to the people. True, these things by themselves will not abolish the rule of the exploiters and plutocrats, nor will they usher in the era of plenty, as we shall show later. But old age pensions, unemployment insurance, and similar measures will strengthen the people in their fight against the exploiters; they will make it easier for the people to reach the point of undertaking the overthrow of the rule of the monopolies. This is what the people are trying to do. So in steps Coughlin and says in effect: why do you want to fight for old age pensions or unemployment insurance? It is not workable. It is not the "first thing". You better try to get a Government Central Bank. That will cure all your ills.

Coughlin is cleverer than the other reactionaries. He does not say the Townsend Plan is no good. He does not ridicule the plan. Instead, he says: "I heartily endorse the principle of social security which his philosophy advocates." (*Ibid.*)

Fine words, aren't they? But they are only words. For when it comes to endorsing, not merely the "philosophy of social security", but the specific demand for old age pensions, Coughlin turns around and declares "it won't work". Well, if that is the case, let us tell Coughlin that we don't want merely the "philosophy" of the thing; we want the money. And when it comes to "philosophy", why, even Hoover is for the philosophy of social security.

There is something else we might ask Coughlin. If it is true, as he now claims in reply to questions, that he is for social security,

why didn't he include a specific demand along these lines in his sixteen-point program? You can scan his program forward and backward and you will find no trace of a demand either for old age pensions or for unemployment insurance. But now, when large numbers of the American people are rallying to these demands and to such proposals as the Lundeen and Frazier Bills and the Townsend (McGroarty) Bill, now Coughlin steps in. And for what purpose? Not to help win these demands, but to tell the people to give them up and wait for a Government Central Bank.

That is Coughlin's way of sabotaging the fight for old age pensions.

There is still another reactionary outfit that is crusading against the Townsend Plan and old age pensions. This is the infamous "Crusaders, Inc.". On the council of this reactionary weapon of the monopolies we find John W. Davis, a Morgan attorney; Cleveland E. Dodge, of Dodge & Co.; Alfred P. Sloan, President of General Motors; James P. Warburg, of the Bank of Manhattan; and similar "friends of the people". And because of their great devotion to the well-being of the people, the Crusaders have been making repeated broadcasts over the Mutual Broadcasting System against old age pensions and against the Townsend Plan. Their arguments are not much different from those of the other reactionaries. But they especially insist that the money for financing the Townsend Plan will have to come out of the "national income". That is true. The only and main question is: from whose part of the national income—*from the part of the toiling people or from the part appropriated by the monopolies and plutocrats?* Which brings us to the second part of our discussion of the Townsend Plan.

Transaction Tax—or Tax on the Monopolies and Plutocrats?

An important question that has to be clarified among those who fight for old age pensions is—*Who Is Going to Pay for It?* To this very serious question the Townsend movement has so far not found the correct answer. What is the answer of the Townsend Plan to this question? It is that the old age pensions will be financed by a transaction tax of two per cent. This is, in fact, *a sales tax* which will fall heaviest upon the toiling masses. If that

is so, the old age pensions will not do much good. Because the plan will take away from the people through the transaction tax with one hand what it gives them through pensions with the other hand. The net gain, if any, in the income of the toiling people will be very little.

Here is how the transaction tax, which is a tax not only on retail sales, but on *all* transactions, will work out in practice. We will let Mr. John T. Flynn explain it. To our knowledge he is not an enemy of old age pensions but a friend and one who knows well the mechanics of capitalist economy, although he is in error on the fundamental laws of capitalist society.

"I buy a suit for \$30 and pay a tax of two per cent. I sell it to you for \$40 and you pay two per cent. The retail price of the suit is \$40. But the two transactions total \$70. Of course I pass the two per cent I pay on to you. You pay that plus the two per cent you pay when you buy the suit. You really pay more than two per cent. . . . Because the taxes start with the wool on the sheep. The shipper buys from the farmer and pays two per cent. The yarn maker buys from the shipper. The fabric maker buys from the yarn maker. The suit manufacturer buys from the cloth maker and so on. And there is a two per cent tax on each transaction. The total of the transaction on a \$40 suit may be \$250. All these taxes are paid by the final customer to the retailer. The buyer of a \$40 suit might well pay two per cent on \$250 and not two per cent on \$40." (Distributed by NEA Service, Inc.)

These are the mechanics of the transaction tax. And who will pay it?

"Most of the taxes in the end would be paid by customers at retail. And this means the great bulk would be paid by the wage earners of the nation." (*Ibid.*)

That is, by the people least able to pay; by the very people who need the old age pensions as an immediate relief from unbearable economic conditions.

No wonder, therefore, that the reactionaries and enemies of old age pensions have seized especially upon the transaction tax feature of the Townsend Plan in order to discredit the whole proposition. The transaction tax is its weakest point. And the enemy, naturally, seeks the weakest point to attack. It is the duty of all

genuine friends of old age pensions to seek to eliminate this weak and dangerous point in the plan. It is necessary to do so for the sake of the plan itself.

Where Mr. Flynn makes a serious error is by dismissing the Townsend Plan too lightly just because of its transaction tax feature. Friends of old age pensions cannot adopt this attitude to a plan for old age pensions which has rallied large masses to itself. Instead, the friends should point out the errors of the plan and thus strengthen the movement for old age pensions. Any other attitude just plays into the hands of the reactionary opponents of old age pensions.

Representative Maverick, Democrat of Texas, makes a similar error. He says: "I am for sound social security, old age pensions, unemployment insurance, industrial accident insurance, all to be evolved slowly and intelligently. To inject the Townsend Plan into the picture is simply to 'keep old people or people in need from getting anything'." (*The New York Herald Tribune*, December 21, 1935.)

As to doing the job "intelligently", by all means. But as to evolving it "slowly", the question is, *how slowly?* Roosevelt's scheme has the one virtue of being very slow, but that is why it is a fraud. Representative Maverick is positively wrong when he says that the Liberty League is anxious that the Townsend Plan should become popular. He says:

"The big-shot bankers and the Liberty Leaguers, who are against the president and against any kind of social security, are anxious for the Townsend plan to gain popular favor, because they are smart enough to know it is utterly impossible and will muddle the issue, destroying all chances of any help at all for older people." (*Ibid.*)

That is simply not true; not the way it stands. The Liberty League and the big-shot bankers, the main enemies of the people, are as a matter of fact deadly opposed to the Townsend Plan. And, far from desiring the spread of its popularity, they are doing all they can to discredit the plan, and they are cleverly using Maverick's own article to accomplish that aim. See, for instance, the space and display that the *Herald Tribune* is giving to Maverick's attack upon the Townsend Plan.

But that is not all. The reactionaries are also seeking to get control over the Townsend movement, not for the purpose of

realizing its plan, but in order to defeat that plan and to use the movement in the interests of the monopolies. And they may succeed, too. But if they do, one of the main responsibilities will be that of Roosevelt who betrayed the people on the question of social security, as on many others. The people in the Townsend movement know the fraudulent nature of Roosevelt's old age pension plan, which is evolving very "slowly" indeed. They distrust Roosevelt, therefore, and rightly so. And if the Farmer-Labor forces do not make more rapid headway in the near future, by winning also the Townsend movement to their side, there is really great danger that the Liberty Leaguers may succeed in enmeshing into their reactionary net, and against Roosevelt, large numbers of Townsend followers.

Still worse is the attitude to the Townsend movement displayed by the "Old Guard" leaders of the Socialist Party. All they have to say is:

" . . . that is the plan; and it is as practical and workable and efficacious as the Brooklyn miracle worker's promise to bring back the wandering sweetheart. *It simply will not work out. There isn't that much wealth in the country.*" (William M. Feigenbaum, *New Leader*, Jan. 4, 1936.)

In other words: all the "Old Guard" leaders have to say is to repeat parrot-like the tripe of such friends of the people as Coughlin, *The New York Times*, *The New York Herald Tribune*, etc. Of course, this is done in the name of Socialism. So much greater the crime against Socialism and against the people.

Our attitude, the attitude of the Communists, is entirely different. And we have said so, officially in the name of our Party. We see in the Townsend movement, first of all, a movement of masses of toilers seeking relief from the unbearable burdens of the crisis, of old age under capitalism, of poverty and insecurity brought about by the exploiters and their damnable system. We see in it, secondly, a movement for old age pensions, which are vitally necessary for millions of toilers in this country. We see in it, thirdly, a movement of powerful protest, not yet clear and still full of illusions, but of protest nonetheless against the policy of the monopolies to make the toilers pay for the crisis for which these same monopolies

are responsible. And, therefore, we have said: we are heart and soul with your demand for old age pensions and for social security; we are with you in the opposition to Roosevelt's fraudulent scheme of pensions; we are with you in opposition to the monopolies, the financial oligarchy and plutocrats who refuse to give old age pensions. We will fight side by side with you for your main aim: old age pensions. And in doing so we shall seek to convince you that your plan has some vital weaknesses. One of them is the transaction tax. We shall show you that there is a better way. Old age pensions can be financed from taxation of high incomes and fortunes; and *there is plenty of wealth in this country, to make the plan a success.*

From the foregoing it is clear that a transaction tax to finance old age pensions will do the people, not the monopolies, more harm than good. The success of the Townsend Plan demands that this feature—the transaction tax—be eliminated and in its place something different be inserted. Namely: taxation of high incomes and fortunes. This is the principle upon which the Lundeen and Frazier Bills are built. This is the principle that will affect a redistribution of income in such a way that the rich will have less and the poor will have more. Whereas a transaction tax, as already shown, will leave the rich untouched but will take from the poor to give to the poor or poorer.

It is true that even a correctly financed pension plan will not abolish poverty or unemployment. It will not by itself introduce real and lasting security. We will show presently why. But it will be a great help and relief. It may also help bring nearer the day when the present capitalist system, which is the cause of all poverty and insecurity, will be abolished.

The Townsend people themselves must have begun to realize that all is not well with the transaction tax. In the Bill which McGroarty introduced to give effect to the Townsend Plan (filed April 1, 1935), the financing of the pensions is to be done not only by a transaction tax but also by other taxes. The bill proposes that, besides the 2 per cent transaction tax, there be imposed an additional tax "equal to one-tenth of the tax levied upon all incomes under the provisions of the 'Revenue Act of 1934' or any amendment thereto", a 2 per cent additional inheritance tax and a 2 per

cent tax on all gifts above \$500. This is already a *modification* of the original plan which the leaders of the Townsend movement, presumably, agreed to.

These modifications do not improve matters; they make them even worse. They leave the transaction tax in force. And of the additional tax, equal to one-tenth of the present tax upon all incomes, we must say that the principle is wrong again. *All incomes*—isn't there a difference between, say, an income of \$50,000 a year and one of \$1,500? Isn't it clear that, by taxing them *alike*, you have actually taxed the farmer and wage earner (who is lucky if he now earns \$1,500) *many times heavier*? Where is the justice of it? The capitalist, who makes \$50,000 has all the security and plenty he needs. His old folks are no burden to him. The chances are they have as big an income as himself, if not more. But the wage earner and the small farmer, who earns \$1,500, not by exploiting others as the first fellow does, but because he is exploited by the guy with the big income, has no security at all. To him the old folks are the real burden. It is he whom the Townsend Plan must seek to help. Every cent taken away from this person in taxes is a bite of bread snatched out of his mouth. And yet the leaders of the Townsend movement want to tax *all incomes alike*. Again we ask: where is the sense and where is the justice?

We can quite understand the Liberty League, the monopolies, and the plutocrats when *they* champion such "equality" of taxation. Why? Because that is in the interests of the rich; because that makes the poor person carry an *infinitely heavier* burden of taxation than the rich. But why should the Townsend Plan, which presumably is devised to help the poor (Morgan and Rockefeller need no Townsend pensions), why should this movement champion a principle of taxation that is for the rich and against the poor?

Now see what the transaction tax will do to an income of \$1,500.

It has been computed that a 2 per cent transaction tax would amount (roughly) to a 40 per cent sales tax. That means, for every dollar spent, the wage worker and farmer will pay 40 cents in taxes. And since an income of \$1,500 saves practically nothing but is spent on maintenance, therefore the earner of such income

will pay yearly about \$600 in transaction tax. This would cut his income to \$900.

Now see what happens to the fellow with a \$50,000 income. This income, unlike the previous one, saves; and saves a good deal. It thus accumulates capital to exploit the wage earners and farmers. For actual maintenance, the person with this income spends only a fraction of his total income; and it is on this fraction that he would have to pay the transaction tax. Say, he spends \$20,000 on maintenance (one can live very comfortably on such a sum). That means, he will pay in transaction tax \$8,000. Which leaves him a comfortable sum of \$12,000 for maintenance and \$30,000 for business. The transaction tax on the latter is automatically transmitted to the toiling people.

They both pay an *equal* transaction tax. But the wage earner remains with \$900 a year, a little over \$16 a week, to satisfy all the wants of himself and his family, while the other fellow remains with \$42,000, a little over \$800 a week.

This is what the transaction tax of the Townsend Plan will accomplish. But is this what the Townsend people want? No; it is not. They want life made easier, not harder, for the toiling people. And the only way to do so is to eliminate the transaction tax and substitute for it a graduated tax on large incomes and fortunes. The higher the income, the higher the tax. The larger the fortune, the larger the tax. This is the principle upon which are built the Lundeen and Frazier Bills on old age pensions, unemployment insurance, disability and maternity insurance.

And let no one tell you that there is not that amount of wealth in the country. There is more than anybody imagines. We have already referred to the fact that this country will have spent \$80,000,000,000 on the World War of 1914-1918—the war to make safe the investments of Morgan & Co.

This country can spend this and more to make safe the old age of its toiling population.

It may be argued that taxation of high incomes and fortunes will not provide enough funds for a \$200 monthly pension. The answer to this is: first, the Townsend Bill itself does not insist upon \$200. As already mentioned, this Bill provides for “not more

than \$200". That means, if the bill is adopted, the pension will be much less. And that has been agreed to by the leaders of the Townsend movement themselves, for the McGroarty Bill is their bill.

Second, we should all strive to secure as high a pension as is possible, but *no less* than is necessary, to maintain the old people at a certain livable standard. To put limitations to that minimum, to insist that the pension should not fall below that minimum, is infinitely more important than to provide for a theoretical maximum, as the McGroarty Bill does. The stronger the people's movement grows, the higher will be the pensions that the movement will secure. It is chiefly a question of making the people stronger and the enemies of the people—the monopolies—weaker.

It is along these correct lines that the Frazier and Lundeen Bills have been drafted. The Frazier Bill provides that old age pensions shall be the same as the compensation for unemployment insurance. And what is that? We quote from the bill:

"A worker totally unemployed shall receive compensation equal to the average weekly wage payable in his occupation or profession in his district."

This is for wage earners. As to farmers, small business men and others who work for themselves, the bill provides:

"A worker who is self-employed and is eligible for compensation shall receive compensation in an amount equal to the difference between his average weekly net earnings and the minimum compensation provided under this Act."

The average weekly wage, or the average net weekly earnings, are the minimum weekly payments provided for the unemployed. That is what the people need and can secure at the present time.

Old age pensions are provided for in a similar way. The Bill provides:

"(a) A person who is receiving unemployment or disability compensation at the time he reaches the age of sixty, shall continue to receive compensation at the same rate.

"(b) A person who is engaged in gainful work at the age of sixty or over, and ceases thereafter to work, shall receive compensa-

tion at the same rate as is provided for a totally unemployed worker."

That is, in all cases the old age pensions must not fall below average weekly wages or earnings.

Of decisive importance to the question of who will pay for these measures of security are the principles of financing the insurance plan as formulated by the Frazier Bill. It says:

"The cost of the system must be a primary charge on the national wealth and must be regarded as a component element of the Budget of the federal government to be provided for out of the National Treasury. Any additional costs necessitated thereby should be derived by suitable revenue legislation, from high incomes, corporate surpluses and other accumulated wealth, and should not be placed directly, by payroll taxes, or indirectly, by sales taxes, upon the workers of the United States whose standard of living Congress hereby seeks to protect."

The Townsend movement has everything to gain and nothing to lose by supporting such a principle of old age pensions.

From Old Age Pensions to Security

According to its promoters, the Townsend Plan will not only provide old age pensions but will also eliminate all the social evils of today; crises, depression, unemployment, poverty—all of these will disappear with the adoption of the Townsend Plan for Old Age Pensions. Here is how this idea is stated:

"The forced retirement of these annuitants who receive these monthly annuities will open over four million jobs to the young and middle-aged. In addition to this, government statistics tell us that the spending of \$200 a month will create one job for somebody. Thus we have eight million more jobs. Additional capital that will be put to work from out of musty bank vaults and treasuries, in anticipation of a large volume of steady business, will create additional millions of jobs. Here we have the entire unemployment question solved." (James T. Walker, *National Townsend Weekly*, October 21, 1935.)

If that were so, it would have to be admitted that the Townsend Plan has really found a simple and easy way to the abolition of all social evils, or nearly all. Unfortunately it is not so. Old age

pension is a big objective by itself; one should not minimize it. When realized, and financed not by sales taxes but by taxing the rich, it will go a long way in improving the conditions of the toiling population, old and young. This is saying one thing. But it is an entirely different thing, a thing totally unjustified, to maintain that old age pensions *alone* will solve "the entire unemployment question". From old age pensions to complete *social security* is a long distance. When one says social security one must mean: security from crises, from unemployment and depressions; security from war; security from exploitation and persecution by the rich. It means, in other words, the total abolition of the present capitalist social order and the building up of a new one—a Socialist order of society. Old age pensions alone cannot and will not do it. But it is possible to proceed from old age and unemployment insurance *as a basis* to fight for still bigger things and to fight in such a way as will bring about the downfall of the present bankrupt system and the coming of a new one.

By this we do not mean to say that the adoption of a *good*, correctly financed old age pension plan may not increase employment. Those who insist that the payment of old age pensions will not affect employment at all are wrong. If the pensions are financed at the expense of the rich and monopolies, it will create new purchasing power among certain sections of the toiling population, and *may* also thereby contribute to increasing production and employment directly. Indirectly, by removing from the labor market several million applicants for jobs, it will weaken the pressure for jobs, which is today terrific, and thus contribute additionally to increasing employment. But even this, which *may* happen and, when it does, will be necessarily of a *temporary* nature, is a far cry from the solution of "the entire unemployment question".

Because many things are bound to happen, things of which the Townsend Plan seems to be totally oblivious, but which decisively affect the course of employment, let us discuss these things. We will assume that a pension plan has been adopted which finances itself by taxing the rich and the monopolies. That will affect, unlike the transaction tax, a real shift in the distribution of income favorable to the toiling masses. In this way new purchasing power will be

created. This is important; but it is not the whole story. Why? Because production today is *capitalist* production. That means that the capitalists will increase production to meet the increased purchasing power of the masses *only to the extent that such an increase would be profitable to them*. Capitalists are in business, not for the purpose of satisfying wants, not for production for use, but for profits. Not any profit, *but a certain rate of profit*. If an increase in production will give the capitalists that certain rate of profit, well and good; then they will increase production. If not, they will not, even though there is an increased mass purchasing power.

When capitalists are confronted with higher taxes, they seek to shift them back to the toilers. This is no argument against taxation of high incomes; no, it is an argument in favor of taxing high incomes but *against the illusion* that old age pensions *alone* will do the whole job for social security.

So, the capitalists, but especially the powerful monopolies, will seek to shift these increased taxes back to the shoulders of the wage earners, the farmers, and the small owner generally. How are the monopolies doing such things? By incorporating the tax into the prices of the goods they produce, by raising interest rates on mortgages and loans generally, by cutting wages of the wage earners and by speeding up the workers. As to raising prices, this the monopolies can do also by *restricting* production and thus creating a scarcity of goods.

Now, suppose that the monopolies have done all those things; assume also that the masses have accepted the Townsend illusion that the old age pension *alone*, without any additional measures, will solve the entire unemployment question. Assume these two things and ask yourself: what is going to happen to production and employment?

If the monopolies are allowed to increase prices of their own goods, to depress the prices of the goods they buy from the farmers, raise interest rates, and cut the wages of the wage earners, if all this is allowed to take place, then the additional purchasing power created by old age pensions (and by unemployment insurance, for that matter) will be largely *destroyed*. In time there will even be a decrease in the purchasing power of the toiling classes. With

what result? With the result that *there will be a temporary and short spurt in business, mostly speculative in character, a small increase in employment, and then a sharp recession.* Profits and high incomes will gain considerably; but the toiling masses (the wage earners, the toiling farmers and the small owner) will find themselves in the same position as before, if not in a worse one.

Study the course of the depression under Roosevelt. This was what happened. This is bound to happen again if the monopolies are allowed to destroy the increased purchasing power of the masses by raising prices and cutting the earnings of the workers and farmers. It is clear, therefore, that it is nothing else but an illusion to believe, as the Townsend Plan suggests, that the mere adoption of old age pensions, *without doing anything else*, will abolish unemployment and crises.

The question is: what *additional* things will have to be done, additional to old age pensions and unemployment insurance?

We will discuss, not all, but the most important things; namely, protect the wages of the wage earners, raise wages to meet the rising cost of living, and prevent speed-up. Furthermore, guarantee to the farmer his cost of production, relieve him of the burden of debts and taxation, secure for him the ownership of his land and implements. Furthermore, compulsory low interest rates and government loans, free of interest, to the small owners. And, lastly, devise effective means for keeping down monopoly prices. This is not all. It is merely to indicate the main lines of activity *to prevent the monopolies from destroying the increased purchasing power that will result from old age and unemployment insurance.*

What will this accomplish? It will tend to *check* the inevitable offensive of the monopolies upon the standard of living of the masses. It will enable the masses *to fight more effectively against their exploiters.* It will strengthen the toilers for the fight for real social security which only Socialism can bring.

But by themselves, even these additional measures will not abolish unemployment and bring social security. To bring this about means a fight to the finish against the present capitalist system. For it is clear that, while these additional measures which go *beyond* old age pensions will strengthen the masses considerably against the monopo-

lies, these will still remain in possession of the means of production. And while they are in possession of these means, they will continue to sabotage the will of the people, especially so long as the government is not a people's government but a capitalist government.

How will they sabotage the will of the people? If you don't allow the monopolies to cut wages (directly and indirectly) and to increase prices, here is how they will try to destroy the benefits of old age pensions and unemployment insurance. We call to witness a faithful believer in the present capitalist system but a thoughtful economic institution—the Brookings Institution. It analyzes the experiences of the N.R.A. which proceeded upon the theory of increasing purchasing power without a corresponding increase in prices. That thing did not work because the government did not really try to cut monopoly prices, and hence prices increased faster than purchasing power. But the Brookings Institution wanted to find out what would have happened had the government really tried to increase purchasing power and to decrease monopoly prices, or to keep these prices from rising. What would the capitalists and monopolies have done in such a contingency? And it answers:

“ . . . employers may avoid unprofitable operations by shutting down their plants and paying no wages whatever” (p. 762).

“[employers may] . . . so reduce their labor force that their payroll disbursements are no longer, or are even less, than before” (pp. 762-63).

“ . . . they may speed up their labor, by ‘stretch-out’ and other methods, so that their wage costs on a given volume of operations are not increased” (p. 763).

Can anything be done about that? Certainly. When the people are organized, united, and conscious of their aims, when they are free of illusions, they are a great power. So, what could they do in the face of this sabotage of the monopolies and the rich? *Protect wage standards and combat speed-up.*

And if, this notwithstanding the employers should resort, as they do, to shutting down plants or reducing their labor force, then—

Let the government force them to open the factories. And if they refuse, let the government open the factories and run them. The masses can tell the monopolies: run to capacity or get out. We can not allow the monopolies to keep the people hungry, naked,

and shelterless when such basic industries as steel are still running only at one-half of present capacity.

True, this will still not mean the total abolition of unemployment and the establishment of social security. For this, we shall have to come to the point of taking away from the monopolies the means of production and building a Socialist economy. But it will mean a great improvement in the conditions of the toiling masses and a great strengthening of the organized power of the masses for the struggle to abolish capitalism.

The road to Socialism is a road of struggle, not of peaceful enjoyment of old age pensions. It is a struggle to the end against the system of capitalism which—as long as it exists—continually reproduces all the social evils from which the toilers are suffering today.

We saw a while ago how the fight must develop in the industries, between capital and labor, to prevent the monopolies from destroying the increased purchasing power that will result from old age and unemployment insurance. Now let us see how the fight develops between the farmers and the monopolies. To secure the benefits of this insurance to the toiling farmers, we have shown, it will be necessary to go much beyond the insurance program and to tackle earnestly such basic questions as guaranteeing the farmer his cost of production, relieving him of the burden of taxation and debts, and securing him in the ownership of his land and implements. By doing all these things we will strengthen the toiling farmer against the encroachments of the monopolies to destroy his benefits from the insurance system. We repeat, to achieve this aim we shall have to go much beyond the insurance system.

To see clearly that this is so, examine some of the experiences of the A.A.A. Among other things, it set itself the task of achieving "parity" between farm prices and industrial prices, the pre-war prices having been taken as a standard. We cannot discuss here the A.A.A. as such, except to say that its destruction by the Supreme Court only shows to what lengths the reactionaries will go to sabotage even such measures as benefit slightly only the well-to-do farmers and some middle farmers. For the present we are concerned with another question. How well did the A.A.A. succeed in raising farm

prices to the "parity"? We call to witness again an institution that is favorable to capitalism and to the A.A.A.—the International Labor Office—which published a volume, *Social and Economic Reconstruction in the United States*. It says:

"If measured by the official Department of Agriculture 'farmer's ratio', the results of the adjustment program appear less favorable; in fact, as between May 1933 and May 1934, the ratio remained unchanged at 61 per cent of the desired pre-war parity. Farm prices had risen by about 19 per cent but this had been counteracted by an equivalent rise in the prices of commodities bought by farmers" (p. 286).

The "parity" thing did not succeed even for those whom it was intended to benefit, primarily the farmer capitalist and incidentally some small farm owners. It intended to benefit these at the expense of the mass of toiling farmers (small tenants, sharecroppers, agricultural workers) and at the expense of the toiling population of the cities. But why did it not succeed in its aim of pre-war parity? Because the monopolies were allowed to sabotage this aim; because they were allowed to increase *their* prices in such a way that it counteracted the rise in farm prices. (The ratio stood higher at the end of 1935 but much below "parity".)

This goes to show—what? That the struggle for security and a life of plenty for the toiling masses is not the simple matter pictured by the defenders of the Townsend Plan illusions. It is a serious battle on many fronts. It cannot be won only on the field of old age pensions. It must be waged on the front of wages, prices, unemployment insurance, opening of factories, and attacking the monopolies at all sources of their power. Only then will the masses be able to protect the great and undoubted benefits that will come with old age and unemployment insurance. Only then will the masses be able to move forward to a new social order—Socialism—which alone can and will bring social security.

Which brings us to another serious question, the question of planned production and a planned economy. Some of the Townsend Plan illusions proceed from the belief that it is possible to achieve security and abolition of unemployment and poverty without abolishing the present state of anarchy in the national economy.

A Socialist, Planned Economy Is the Only Basis of Security

The belief of the Townsend people that it is possible to achieve social security without a Socialist, planned economy is based upon very flimsy evidence. In fact, one cannot call it evidence at all, but merely assertions. It is asserted, for example, that the Townsend Plan is "the only plan advanced to end the depression and save this nation from revolution" (F. J. Elgin, *National Townsend Weekly*, Oct. 21, 1935).

A great claim. But all it is based on is some confused notions on the "velocity" of money circulation. Says a Townsend writer:

"The velocity of circulation, rather than the amount of money in circulation, is responsible for prosperity. In the Townsend plan we have a certain and steady velocity of circulation. The dollar velocity in 1929, according to Dow-Jones, was 132.58. In 1934 the dollar velocity was but a trifle over 22. Here again is proof positive of the value of velocity." (James T. Walter, *National Townsend Weekly*, Oct. 31, 1935.)

And in the same issue, Mr. Elgin declares:

"The Townsend plan proposes to bridge the gap between the 22-time dollar turnover of 1934 to the 1929 velocity of 132 times, which constitutes the cost of the depression."

To be the *cause* of the depression, the *cost* of the depression, and the *cure* for the depression, this "velocity" must possess mysterious powers. What are they? And where do these powers originate?

In order to clear up this apparently mysterious business, it is necessary to grasp clearly and firmly one fundamental idea: "*the movement of the money is merely the expression of the circulation of commodities.*" (Marx, *Capital*, Vol. I, p. 130, Kerr edition.) For reasons which we cannot go into here, people get a contrary impression of this process. They get the impression that the circulation of commodities is the result of the movement of money. But this is the kinds of illusion which is received by a passenger on a train in motion. The latter gets the impression that it is not he and the train that are moving but the disappearing objects on the outside (trees, telegraph poles, houses, etc.). Yet we know that this is merely an illusion, that the thing which moves in relation to these

outside objects is the train. Similarly with the circulation of commodities and money. Money circulates because commodities circulate, and not the other way around. Money circulates because people buy and sell; and they do so by means of money. Were they to stop buying and selling, there would be no circulation of money, because there would be no circulation of commodities.

The believers in the mystic powers of "velocity" have the illusion that the movement of goods is the result of the movement of money. This is the source of much of their trouble. Therefore, they should disabuse themselves of this illusion and begin to see the thing as it really is: money moves because goods move. And when they do, they will also correctly understand the velocity of money circulation. How does this process take place? We will restate the classical example given by Marx, substituting dollars for pounds:

"Suppose the following articles to be sold or partially metamorphosed simultaneously in different localities: say, one quarter of wheat, 20 yards of linen, one Bible and 4 gallons of brandy. If the price of each article be \$2, and the sum to be realized consequently \$8, it follows that \$8 in money must go into circulation. If, on the other hand, these same articles are links in the following chain of metamorphoses: 1 quarter of wheat—\$2; 20 yards of linen—\$2; 1 Bible—\$2; 4 gallons of brandy—\$2; a chain that is already well known to us, *in that case the \$2 cause the different commodities to circulate one after the other, and after realizing their prices successively*, and therefore the sum of those prices, \$8, they come to rest at last in the pocket of the distiller. *The \$2 thus make four moves.*" (*Ibid.*, p. 134.)

Here we get a glimpse at the velocity of money circulation. And what is it?

"... the velocity of the currency of money is measured by the number of moves made by a given piece of money in a given time. Suppose the circulation of four articles takes a day. The sum of the prices to be realized in the day is \$8, the number of moves of the two pieces of money is four, and the quantity of money circulating is \$2." (*Ibid.*, p. 135.)

From this Marx formulates the law of money circulation:

"Hence for a given interval of time during the process of circulation, we have the following relation: the quantity of money

functioning as the circulating medium is equal to the sum of the prices of the commodities divided by the number of moves made by coins of the same denomination. This law holds generally." (*Ibid.*, p. 135.)

From this it will be seen that, given a fixed amount of goods at constant prices, the velocity of money circulation will determine only one thing—the quantity of money. During a given period of time (a day, a month or a year), with the amount of goods and their prices remaining unchanged, the increased turnover (velocity) of money will result in cutting down the amount of money in circulation. That's all it will do and no more. It will not increase the amount of goods, it will not change prices, it will not create a larger demand for goods or more purchasing power. It will therefore not affect in the least the course of production, or the depression or unemployment. It is, therefore, childish (if not worse) to suggest that by increasing the velocity of money circulation we will abolish the depression and unemployment.

Messrs. Elgin and Walter seem to think that 1929 was a year of business prosperity and 1934 a year of depression because in 1929 the dollar turnover was 132 and in 1934 it was 22. Assuming for the moment that these ratios are correct, their meaning is the exact contrary to what these writers suggest. The dollar turnover in 1929 was higher than in 1934 because in 1929 production was higher, and income was higher, and therefore the *circulation of commodities* was higher. The higher circulation of money reflected the higher circulation of commodities and not the other way round.

Suppose, however, we decided to try out this miraculous scheme of increasing the velocity of money circulation, and we go about it as the Townsend writers suggest: we supply the people with lots more money. Then what happens? If the capitalists raise prices in the same proportion as the amount of money was increased, and they do *not* proportionately increase the amount of goods on the market, then the velocity of money circulation will remain the same. If you double the amount of money but leave unchanged the amount of commodities while you double the prices, then the velocity of money remains unchanged. So, if you want to tackle the question

from the money-velocity end, you have to make sure that you can actually increase the velocity of money. And this you cannot do by merely giving people more money; you must also make sure that either the amount of goods is increased considerably beyond the money increase, if prices remain stationery; or, if you cannot bring about that kind of increase in goods, then you will be compelled to ask for an *increase in prices* corresponding to the increase in money. That is, if you are bent upon getting an increase in the velocity of money. Now, then, to demand an increase in prices corresponding to the increase in money, means to cancel the benefit of more money. So, there remains the other alternative: to seek an increase in the production of commodities at a much larger rate than the increase in money, insisting upon prices remaining stationery. That *will* increase the velocity of money circulation, but only because, in this example, we made sure of an increase in production beyond the increase in money and have prevented a rise in prices. In other words, even when you start out with the velocity of money, you must come to increased production and increased income, if you mean to use the velocity of money to bring about an improvement in the conditions of the masses. That is, you are compelled to fight for all those economic and political measures outlined above which go beyond the sphere of money circulation.

The illusion that all our troubles lie in the sphere of money circulation is an old one. Marx dealt with the question repeatedly. Discussing such illusions, he remarked:

"Herrenschwand's fanciful notions amount merely to this, that the antagonism, which has its origin in the nature of commodities, and is reproduced in their circulation, can be removed by increasing the circulating medium." (*Ibid.*, p. 137, footnote.)

These same fanciful notions we meet with in some of the illusions on the Townsend Plan. It is the belief that by merely increasing the amount of money we will increase its velocity and in this way bring about prosperity for all. We have shown that this is merely "a fanciful notion". We have shown that, *even when we try to increase the well being of the masses by financial measures, these will succeed in their aim only if we succeed in bringing about certain desired changes in the sphere of production and distribution*

of commodities, along such lines, as wages, employment (opening of factories), good prices for farmers, the fight against monopoly prices, etc.

But there is still another point worth mentioning. Marx puts it this way:

“But if, on the one hand, it is a popular delusion to ascribe stagnation in production and circulation to insufficiency of the circulation medium, it by no means follows, on the other hand, that an actual paucity of the medium in consequence, *e.g.*, of bungling legislative interference with the regulation of currency may not give rise to such stagnation.” (*Ibid.*)

For example, a Hoover or Liberty League policy of regulating the currency along the lines of deflating the masses while inflating the profits of the monopolies might have the effect of creating a scarcity of the money medium and thus aggravate the depression for the masses. From which follows that *the masses must have their own position on monetary policies* as opposed to those of the monopolies and use their policies to probe down to the *basic points of present social relations—to the production and distribution of commodities.*

It may be objected that the foregoing example (from Marx) on the circulation and velocity of money is too simple a case to fit the present conditions on the market. It may be argued that our example would fit simple business transactions on a cash basis but does not fit the present complicated mechanism of all forms of credit and of bank clearings of payments. Marx's answer is that the more highly developed forms of circulation of money and goods do modify the above general law in, at least, one important respect, namely, “the quantity of money current and the mass of commodities circulating during a given period, such as a day, no longer correspond” (*Ibid.*, p. 156). Taking into account the higher forms of commodity and money circulation, Marx formulated the process as follows: “given the rapidity of currency of the circulating medium and of the means of payment”, the sum total of the money current during a given period is “equal to the sum of the prices to be realized, plus the sum of the payments falling due, minus the payments that

balance each other, minus finally the number of circuits in which the same piece of coin serves in turn as means of circulation and of payment". (*Ibid.*)

It is clear, therefore, that the role of the *velocity* of money circulation is not affected. It plays here, generally speaking, the same role as in the simple case of cash business. And the conclusions drawn from this case hold generally to all cases, even the most complicated. More than that, considering the role of credit transactions in the circulation of commodities, it would follow that the expectation of the Townsend people to influence prosperity by speeding up the turnover of the *dollar* is even more groundless and childish. And this was the main question that concerned us here.

But there is still another point which needs clarification. Some of the Townsend people claim that the speeding up of the velocity of the dollar will abolish depressions and crises. We are now in a position to see that this is merely a "fanciful notion". Assume for a moment that the Townsend people have secured the opportunity of carrying through their plans. That means, really, one thing: supplying about eight million people with \$200 monthly. Hence, during a given month these people would have \$1,600,000,000. But we have already seen that this by itself may not change the velocity of the dollar at all, if prices increase proportionately and the amount of goods remains the same. We have also shown that, in order to achieve the speeding up of the dollar turnover, the Townsend people would have to go *much beyond* their present program and bring about a corresponding *increase in goods* and keep prices from rising. That is, they would have to reach out from the sphere of money circulation, where they prefer to dwell, into the sphere of *production and distribution of goods*. Assume that the Townsend people did that, and along the lines which we indicated before (wages, prices, opening factories, debts of farmers and taxation, etc.). In doing so, they would already be departing completely from their own scheme. They would, in fact, be abandoning their fanciful notions about the omnipotence of "velocity". They would in other words, be doing the right thing; and that is what counts, after all. So we would have a sharp fight between the people and the monopolies, the people seeking to make the monopolies carry the

burden of the depression and crisis. And, depending upon the independent organization of the people (workers, farmers, middle classes) and their political consciousness, the people would be making certain progress in this fight. The result would be, economically, a temporary increase in production and in the income of the toiling masses—possibly, a considerable increase. And that would all be to the good, because the toiling masses would make certain gains as against the monopolies.

But how *permanent and lasting* would that be? The answer is: not permanent at all and not very lasting. *Provided, in the course of this fight the people become strong enough and conscious enough to make a revolution*, and in this revolution they overthrow the political rule of the capitalist class and establish the rule of the working class—Soviets—a government resting upon the alliance between the working class and the toiling farmers supported by the middle classes of the cities. In such an alliance the Negro people would have to play an important role. In this way the people would secure the *power* to take away from the monopolies their control of the means of production, making these means of production public property. And with this in their hands, the people would begin building up a *planned and Socialist economy*. This and only this will put an end to depressions, crises, unemployment, and insecurity.

The private ownership of the means of production by the monopolies is unthinkable without periodic crises. As long as the capitalist class owns the means of production, production will be carried on for profit and not for use; the working class and the toiling masses generally will continue to receive in income *always less* than is necessary for them to buy the products of their own toil and labor; the national economy will continue unplanned and chaotic; the threat of war will always be with us. The inevitable result is the periodic recurrence of crises and depressions. To rid the people of these curses and plagues means to rid the country of capitalism. It means to establish a Soviet government, to take away from the monopolies the means of production and to build Socialism—not only here but in other capitalist countries as well. It means to build the same sort of a social system as prevails in the Soviet Union.

Does that mean that nothing can be done to alleviate the plight of the people—old and young—until the revolution is victorious? No, it only means that those Townsend writers who believe that their plan will “end the depression and save this nation from revolution” (F. J. Elgin) are all wrong. We have shown that it cannot end the depression, if by this is meant employment and a decent living for all toilers. And it will not “save” this nation from revolution, if by this is meant that security and plenty can be achieved without a Socialist revolution. On the contrary, only a revolution can bring complete, permanent, and genuine security and plenty to the masses. In this sense, one can say truthfully that only a Socialist revolution will save this nation.

All these arguments, as can be seen, are not directed in the least against the demand of the Townsend plan for old age pensions. On the contrary, as was stated officially by the Communist Party, the Communists support wholeheartedly the demand of the Townsend movement for old age pensions. They have themselves initiated a wide movement for old age pensions and *also* for unemployment insurance and social insurance generally. The principles of the Communist position on these demands are embodied in the Lundeen and Frazier Bills now before the House and Senate respectively. We have already discussed these Bills. And just because the Communists are firmly devoted to the struggle for old age pensions they declare their readiness to fight shoulder to shoulder with all who are in favor of such measures. The Communists want to see a getting together of all forces favoring old age pensions and other security measures for the masses, in order to insure the victory of these measures. Hence, the Communists have expressed their willingness to support the McGroarty (Townsend) Bill, urging upon the Townsend movement the following amendments to the Bill:

1. All toilers over 60, not only citizens, to be entitled to the pension.
2. The funds to be raised by taxation of high incomes and fortunes and not by a transaction tax.
3. The Townsend Bill shall contain a declaration that the passage of an old age pension bill takes care only of one phase of social insurance. Congress, therefore, declares that legislation is necessary to provide for unemployment insurance, sick and death insurance,

maternity insurance, etc. On these points we propose the fundamental measure embodied in the Lundeen and Frazier Bills.

4. The passage of the Federal Old Age Pension Bill does not preclude the passage of similar bills by the states.

This but shows further that the above-given arguments are not directed against the Townsend demand for old age pensions but against the fanciful notions that the Townsend plan by itself meets all needs for security and that it will abolish crises and depressions. In other words, we support the plan without its fanciful notions.

Before closing on this point, it might be well to say a word on the amendments which we propose to the Townsend Bill. With most of them we have already dealt. There remains only one to be discussed briefly. The McGroarty Bill provides that only citizens of the United States shall be eligible to pensions. We contend that this provision is both unfair and against the interests of the old age pension movement. It is unfair because large numbers of the old people who are not citizens have worked most of their lives in American industry helping to create the wealth of this country. Besides, most of these toilers have grown American families and to deny them old age pensions is to deny the benefits of these pensions to millions of young Americans. Furthermore, to leave large numbers of old people out of the scheme means to narrow down the possibilities of expansion of the home market and to increase the pressure of the unemployed upon jobs. This will hit citizens just as much as non-citizens.

It should therefore be possible to agree on some such compromise as is embodied in the Frazier Bill which reads:

"The benefits of this Act shall apply to every citizen of the United States and to every person who, if foreign born, has resided in the United States or its territories for at least five years prior to his claim for compensation and has, prior to his claim, formally filed his declaration of intention to become a citizen."

This compromise is not the best solution of the question, but is more fair and will be of greater service to all toilers than is the corresponding provision in the McGroarty Bill.

Back Your Demands With Independent Political Action

It is always necessary to know at least two things: *What* you fight for and *how* you propose to get it. Thus far we have discussed chiefly the nature of the demands and what they are likely to accomplish. It is now necessary to get a clear idea of how we are going to get these demands realized.

It is, of course, necessary to seek to compel Congress to adopt the legislation which should give effect to the demand for old age pensions and other forms of social insurance. To achieve this objective, it will be helpful to exert all possible pressure on individual Congressmen and Senators. And the stronger the *organized force* of the mass movement for social insurance, the stronger will be the pressure upon Congress.

But it would be making a great error to depend upon individual Congressmen alone, or even chiefly. It is all right to try to commit members of Congress to old age pensions and other social-insurance measures. But almost all of the members of Congress, excepting a few Farmer-Laborites, are either Democrats or Republicans. That means, they belong to political parties that are opposed to genuine social insurance and to old age pensions. Most of the Democrats in Congress are committed to Roosevelt's fraudulent "security" scheme and are using this as an excuse to block the movement for real social insurance. Consequently, while it is possible and desirable to try to commit even Democratic Congressmen to measures favorable to the people, when it comes to a showdown most of these Congressmen will carry out the dictate of their party which is the dictate of the rich. And these are, against old age pensions that mean something.

It is still worse with the Republicans. It is possible to commit individual Republican Congressmen to old age pensions and other insurance measures. For instance, Senator Frazier has introduced a Bill which, as we have shown, is generally satisfactory. It is conceivable that more individual Republicans will be committed by the growing mass movement in favor of such measures. But again, when it will come to a showdown, the bulk of these Congressmen will carry out the wish of the Republican Party which today is even

worse than the Democratic Party. Why, the Republican Party is waging war even against Roosevelt's "security" scheme; not because that scheme gives too little to the masses, but because, in their judgment, it gives too much!

Is it not known that the Republican Party, as a party, is dominated by the monopolies and by the most selfish and reactionary monopolies? Is it not known that the true position of the Republican Party is expressed by Hoover (whether or not he will be its candidate is another question)? And everybody knows where Hoover and his like stand on old age pensions and similar measures. Their stand is: nothing for the masses; "balance the budget" even if all toilers must starve, young and old. Balance the budget—that is not bad, provided it is done at the expense of the monopolies, provided it is achieved by more and higher taxation of the rich. But that is not the kind of balancing that the Republican Party is advocating. Together with the so-called Liberty League, the mouthpiece of Morgan and du Pont, the Republican Party seeks to balance the budget by discontinuing all federal relief to the unemployed and starving toilers, by scrapping even Roosevelt's "security" law, by breaking up all public works, by denying the workers, farmers, and middle classes any kind of relief from old age and unemployment.

In fact, the Republican Party today, together with the Liberty League, represents the most reactionary elements among the monopolies, the elements of black reaction against the people, the elements that would throw the door wide open to fascism, if given a chance to do so. It is clear therefore that, if the Democratic Party cannot be relied upon to give the people the sort of insurance legislation which they need (and it cannot), the Republican Party will give still less. Or rather it will take from the people for the monopolies even more than Roosevelt has taken.

From this it follows that even if a majority in both Houses of Congress could be committed to the Townsend or Frazier Bills, it does not mean at all that these Bills would soon become law. See what happened to the Bonus Bill. By organized mass pressure, various Bills were brought before Congress. Through a long number of years, involving big mass struggles, including such as the famous marches on Washington, one of which Hoover broke up with ma-

chine guns and gas, a majority of Congress was at last committed to the Bonus. But there were various Bills—most of them, with the exception of the Marcantonio Bill, not in the interests of the masses because the burden of financing the bonus would be placed upon the toiling masses instead of upon the rich. Eventually the Bonus Bills, the bad ones, got a majority in both Houses; but Roosevelt vetoed them and the veto was placed with the quiet consent of most of the Congressmen that voted for these Bills. This is how the capitalist parties were playing a game with the people on the bonus question. What assurance is there that a similar game will not repeat itself on the old age pensions and unemployment insurance? What assurance is there that the Bonus Bill, if it finally becomes law, as it may, will not be so vitiated by its financing provisions or lack of them that it will hurt the people more than help? * No assurance whatever as long as the last word belongs to the Republican and Democratic parties. Similar will be the fate of old age pensions in the hands of these parties of the rich.

The present political policies of the Townsend movement are not new. These policies are to try the "non-partisan" way and also to "threaten" a third party ticket. We will recall that for many years this was the way tried by the farmers, especially in the Northwest. They tried it through non-partisan leagues, through capturing the primaries of the old parties, mainly the Republican Party, and every now and then they "threatened" to create a third party, even made beginnings but did not go through. The result invariably was bitter disappointment in the "non-partisan" policy. Whatever local successes this non-partisan movement could register were more than nullified by the national control of the monopolies upon both capitalist parties.

Similar were the bitter experiences of organized labor with the non-partisan political policy. Year in and year out, especially during presidential elections, the spokesmen of organized labor would come, hat in hand, to the national and state conventions of the old parties begging for the inclusion of labor planks in their platform. Sometimes these planks were included; at other times they were rejected

* This was written before the Bonus Bill was passed by Congress.—*Ed.*

or seriously vitiated. The result was invariably the betrayal of the interests of labor. Labor has still to win its elementary right of organization and collective bargaining. Labor has still to see the abolition of child labor. Organized labor occasionally also "threatened" a third party but its official leaders never went about it the right way actually to bring such a party into existence.

The Townsend movement, judging by the utterances of Dr. Townsend and other leaders, proposes to follow the same non-partisan policy, only threatening a third party more often and more loudly than the farmers and organized labor used to do in the past. The danger is that, if these threats *remain only threats*, the policy of Townsend will suffer the same fate as the other "experiments" with non-partisan politics.

What should be done?

A new policy must be adopted. The policy of independent and united political action. Only by bringing together on one common platform all the forces that stand for old age pensions and social insurance and by organizing these forces into an independent political party, can the masses serve themselves and oppose their enemies. Only by the organization of a broad coalition of labor, farmers, Negroes, and the middle classes into a Farmer-Labor Party can the people expect to be able to put up a real and successful fight for old age pensions, unemployment insurance, and other measures of benefit to the people. Only such a party can serve the people in the struggle against rising capitalist reaction, the danger of fascism and war.

Reaction is getting together. All enemies of old age pensions and unemployment insurance are trying to pull their reactionary forces together. See the Liberty League, Hearst, and the Republican Party and their desperate efforts to entrench reaction in power. At the same time, it is becoming clearer even to the backward that Roosevelt cannot be depended on to check reaction. His "security" law shows how little reliance the people can place upon him when it comes to giving them certain relief from the miseries of capitalism. Therefore, there is only one way: the people must organize politically by themselves and depend upon their own power. At the present time *this way is the way of the Farmer-Labor Party.*

Make the start in each locality and in each state. In many of them serious beginnings have already been made. In this way the political power of the masses will be unified and organized. The Townsend clubs cannot stay away from these Farmer-Labor movements. If they do, they will contribute toward splitting the forces of the people instead of uniting them. And the chief guarantee of victory of old age pensions is the united and independent action of the toiling masses.

At the present time there is altogether too much power vested in the hands of the National Headquarters of the Townsend movement. They claim to themselves the final power "to fix the political policy in the coming campaign". This is dangerous. The Townsend movement should be a democratic movement. The membership, *by referendum*, should have that final power. And should exercise that power in favor of independent united political action—a *Farmer-Labor Party*.

Time does not wait. The growing attacks of reaction (see the smashing blow delivered by the majority of the Supreme Court against the A.A.A.) and the constant retreat of Roosevelt before these attacks mean only one thing. They mean that the enemies of old age pensions and unemployment insurance are becoming more threatening to the welfare of the people. The people too must get together. The Townsend movement, the trade unions, the farmers and middle classes, the Negro people, the political parties of the workers, and all sincere champions of old age pensions and social insurance must get together and build their united forces.

Only this way lies victory.

*The sources of the analysis in this pamphlet
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